The Monthly Magazine for Food and Agricultural Exporters

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

August 2001

Changing Egypt

A market that is no longer carved in stone.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

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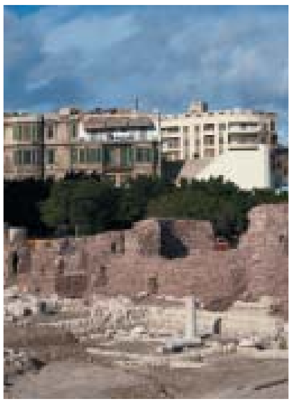
Features



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Egypt in Transition: Market on the Move

By Ali Abdi

Egypt is a country of contrasts. Strolling down a busy city street, a visitor is likely to see people dressed in traditional robes and contemporary business attire.

The old and new stand apart and yet blend together like the tributary streams of the Nile. Similarly, Egypt's agricultural market for U.S. goods has become a blend of enduring traditions and signs of what will be.

A World Market in Transition

Egypt's open air markets still buzz with vendors selling fruit, vegetables and meat. But as Egypt's economy grows and incomes rise, consumers are beginning to crave the convenience of cool, clean supermarkets. Major chains of other nations are answering their call.

The shopping experience is not all that is changing. Egypt's traditional import mix of bulk commodities is starting to include more intermediate and consumer products. Although the United States is still a major supplier of Egypt's wheat, corn and other commodities, lately, Egypt has been buying more U.S. intermediate agricultural goods.

This article will give a snapshot of key sectors of the Egyptian market: the bulk market, where the United States is currently strongest; the market for intermediate goods, which is showing impressive growth; and the emerging market for high-value consumer goods.

While the economy is in transition, Egypt's geomorphology will largely remain as in antiquity. Roughly 97 percent of Egypt's land mass is desert; imports naturally play a vital role in food supply.

Nevertheless, the remaining 3 percent of Egypt's arable land is a powerhouse of agricultural production.

Located at an economic, cultural and industrial crossroads, Egypt provides a good market for many agricultural products, assuming that exporters understand the dynamic of that specific commodity.

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The Gains from Bulk Sales

Bulk commodities account for more than 83 percent of total U.S. sales to Egypt by value. The top seller is wheat. In fact, the United States claimed 84 percent of Egypt's wheat market in the first six months of fiscal year 2001. Total sales for the five months ending in February 2001 were just above $200 million.

Last year, Egypt imported a record 4.4 million tons of corn, and the United States' 85-percent U.S. share was impressive. In addition, the United States also exported $26 million worth of soybeans to Egypt.

Part of this export growth in corn and soybeans stems from Egypt's expanding soybean and feed processing industry, which churns out product for growing poultry concerns.

Last year's increased U.S. soybean sales can be credited to alert U.S. soybean trade association representatives in Egypt, who foresaw opportunities and pursued them.

U.S. Wheat: the Incredible Bulk

One reason the United States sells so much wheat in this country is that Egypt must import about 50 of its wheat requirements due to agricultural restrictions.

The limited land is better used for other commodities such as cotton and vegetables which offer a better return on Egyptian farmers' investments.

Also contributing to this dynamic: FAS has been an aggressive partner with U.S. trade associations in preserving market share for U.S. wheat.

For example, U.S. Wheat Associates works to promote U.S. wheat exports worldwide. Working closely with FAS, the association works on technical problems in Egypt. It also provides trade servicing and seminars for Egyptian millers, wheat buyers and traders. Today, U.S. Wheat Associates' quality seal is widely accepted in Egypt as an emblem of excellence.

Choosing Egypt With Open Eyes

ADVANTAGES	CHALLENGES
Of the 65 million Egyptians, about 12 million can afford to purchase imported food products.	Many consumers lack awareness and have limited income.
Products perceived as both western and new-to-market have a wide appeal to Egyptians.	High tariffs restrain U.S. suppliers' interest in the Egyptian market.
Expansion of the number of supermarket chains. International companies with interests in the Egyptian market include the United Kingdom's Sainsbury, France's Carrefour, Germany's Metro and South Africa's Shoprite chains.	With the growing number of supermarket chains, there is a need to introduce new-to-market products. Egyptian import regulations and labeling requirements are stringent.

Welcome to the *Baladi* Bread Basket

Domestic competition is a consideration for U.S. wheat, but by no means an overriding concern.

Egyptian farmers who grow wheat know that the Ministry of Supply will buy their crop at 30 percent above international rates. What does the government do with all that wheat? Much of it is made into *baladi* bread. The recipe for this subsidized bread is 80 percent wheat flour combined with 20 percent white corn flour, also purchased from Egyptian farmers.

Exporters need not worry, however; *baladi* bread can't really account for major changes in the market because the amount of wheat is relatively small compared with total demand. In fact, domestic wheat supplies only half the total consumption. The rest is imported for both *baladi* bread and the unsubsidized sector.

More serious competitors for U.S. wheat are Egyptian rice and potatoes. But there is a growing demand from prosperous two-income families for high-quality wheat products.

More important still to the U.S. exporter is the way Egypt has upgraded its baking facilities and improved training for bakers. After all, a well-run factory uses less raw materials because it wastes less. It's also more profitable, which means more imports in the long run.

Buy Like an Egyptian

Products with good sales potential:

- Dressings, sauces and seasonings
- Apples
- Nuts and dried fruit
- Juices
- Salted snacks and potato chips
- Mexican food items

Products not present in significant quantities that have good sales potential:

- Microwave popcorn
- Cheese
- Candies

Growth in Intermediate Imports

During the first six months of fiscal year 2001, imports of intermediate agricultural commodities, including soybean meal, feeds and fodders, and vegetable oil rose 43 percent–to $107 million–over the same period in 2000, according to the U.S. Department of Commerce.

While a few months do not constitute a trend, countries that are gaining economic strength tend to buy more intermediate agricultural goods.

Egypt now has the luxury of being able to purchase bulk or semi-processed goods depending on its needs.

If the economic growth continues, it could be good news for U.S. agriculture. When a nation like Egypt gains wealth to purchase processed goods, the benefits of exporting are extended not only to bulk producers but also to those who refine, mill and process commodities.

Egyptians Open Market to U.S. Foods

As Egypt's bulk and intermediate markets are in transition, so are its markets for high-value consumer foods. Wishing to increase trade with the United States, Egypt's government is doing more to free the flow of goods across its borders.

For example, under a new decree, the government now offers exporters one-stop service to speed up import inspection at the Central Authority for Import/Export Control Authority. In the past, there were five government entities operating separately in the import clearance process.

A Commitment to Quality

Egypt may officially have an open attitude on trade, but U.S. agribusinesses and commodity association should remain alert, as complications can occur.

Last year, for example, FAS Cairo helped get 10 containers of Louisiana hot sauce released by Egyptian authorities. The product had languished in port for more than two weeks because Egyptian import regulations required a test which no lab in Egypt could perform. The product had, however, already undergone that test in the United States.

The solution: FAS Cairo convinced Egyptian authorities to release the shipment and to accept analysis from the hot sauce company in the future.

Spicy sauces are hot in Egypt, where annual U.S. exports of such products are expected to amount to $300,000 this year.

But FAS Cairo is concerned with more than expediting specific shipments of goods.

Last year, FAS and the U.S. CODEX Office hosted a food safety and quality control workshop. Members from four government ministries that make up the Egyptian CODEX committee attended. This workshop laid the groundwork for expanding cooperation with Egypt.

It was notable for another reason, too. Egypt became the first Middle Eastern nation to chair a regional CODEX committee. The CODEX Alimentarius is the United Nations body that oversees these cross-border food safety issues as they relate to trade.

High-Value U.S. Exports in Egypt

Supermarket chains in South Africa, Britain and France have already sensed the Egyptian consumer's attraction to convenience and are aggressively pursuing opportunities in Egypt, often with help from a partner in the region. There may also be ample opportunities for the United States in the future.

But don't assume Egypt's modern markets accord with U.S. practices; there are added cultural factors to consider.

For example, Halal meats, from animals that have slaughtered in the Islamic tradition, are critical for in this market.

Egypt's total wheat imports for 2000:

Country	*Metric Tons*
United States	3,385,329
Australia	523,132
France	256,280
Canada	33,000
Argentina	64,063
Turkey	21,000
Germany	25,000
Others	35,000
Grand Total:	4,342,804

EGYPT'S OPEN AIR MARKETS STILL BUZZ WITH VENDORS SELLING FRUIT, VEGETABLES AND MEAT.

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Making the Fava Bean Scene

Egyptians eat fava beans as a source of protein in their diet, usually at breakfast. Realizing this, some astute farmers and agricultural researchers in Maryland have suggested that U.S. farmers gain a hold in Egypt's consumer goods market as well.

It appears these beans, which are well-suited to the growing conditions in Maryland, offer an intriguing alternative for crop rotation. Farmers could try growing a rotation of fava beans in place of feed soybeans, the scientists reasoned. Like soybeans, fava beans offer an agronomic bonus to producers–they return nitrogen to the soil after a rotation of corn.

Test plots are currently in production at the University of Maryland on the Eastern Shore. If the project is a success, farmers would have an alternative crop that restores nitrogen to their soil, and has a potential as an export, one with high-value. In addition, the researchers will work with Egyptian scientists to identify varieties that provide high yields.

Fava beans are one of four commodities being studied (the others being maize, wheat and rice). The projects are funded by the U.S. Agency for International Development, is called the Agricultural Technology Utilization and Transfer project (ATUT).

Exporters also need to be mindful that alcohol sales are be confined mainly to Westernized restaurants and hotels catering to tourists.

Right now, the United States holds about 11 percent of the market share for Egypt's consumer foods. Exporters can do much to help position their products in Egypt. Here are some suggestions for success:

Think variety, small volume, convenience. Most importers tend to bring in a wide range of products, but only in small quantities. With a few exceptions, wholesalers and retailers do not import directly. Also be aware that convenience is a factor for the increasing number of working women with more purchasing power who demand ready made meals or ones that are easy to cook.

Conduct in-store promotions in prominent supermarket chains in Cairo. The objective of this activity is to increase the visibility of U.S. products in the Egyptian market.

A case in point: When a prominent supermarket chain tried to tap into the ready-made meal market, consumers were shy about trying their product. To warm them up to the new way of making dinner, the supermarket offered ready-made meals free with the purchase of $50 worth of groceries. The promotion worked. Now, many consumers reserve orders by phone to guarantee availability.

Conduct an educational seminar in conjunction with the in-store promotion. Before you can reach the diner in a restaurant or the shopper in the supermarket, you must first convince industry players and government officials of the value and quality of your foods.

Seminars enable these important players to learn about food safety and quality control, shelf-life, labeling and packaging.

To your contacts in supermarkets, food production and fast-food chains, the seminars offer a chance to learn about how to introduce products, maintain customer loyalty, hold promotions and analyze consumer trends.

Egypt's private-sector professionals often ask about the latest methods used in the U.S. food industry. Armed with their new knowledge, they become motivated to push your product harder.

Bring an Egyptian delegation to FMI. The Food Marketing Institute or FMI holds an international food trade show each year in Chicago, covering everything from technology to new product introductions.

Exporters who host Egyptian importers and distributors can acquaint them with the high quality of U.S. products. With the expansion of supermarket chains and the introduction of hypermarkets in the Egyptian market, now is the time to introduce new-to-market products.

The bottom line for Egypt is: While bulk is still king, intermediate goods are showing promising growth and consumption of prepared foods is also on the rise. In this land of contrasts, know your market. ■

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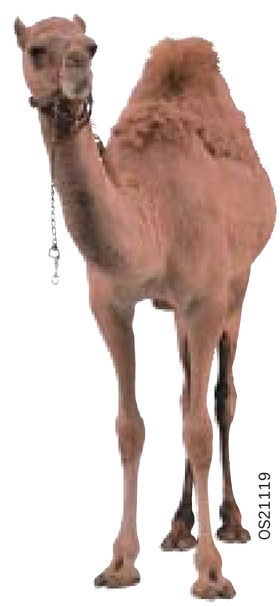

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Egyptian Promotion Cooks Up U.S. Export Success

By Manal El-Masry

Take a hefty measure of quality U.S. foods and ingredients, add a competition featuring six of Cairo's top culinary artists and mix with key Egyptian importers, and you've got FAS' "Great American Food Fest."

This post-initiated trade show cooked up $218,400 in sales of U.S. consumer-ready products, a 12-percent increase over the previous year's show. Six of Cairo's five-star hotels were buying, with an expected 20-percent increase in imports of products for 2001.

The September 2000 promotion, which introduced 119 U.S. products to the Egyptian market, featured a special competition: 40 Egyptian chefs competed to create the best recipe using U.S. ingredients. Six were selected for a final competition at the Cairo Marriott Hotel, site of the Great American Food Fest each fall.

A resulting cookbook, "The 1st American Recipe Book," featuring all the recipes in the competition, was distributed to top Cairo hotels and supermarkets. Its culinary compositions, with their accent on U.S. food ingredients, should fuel Egyptian imports for some time to come.

A Major Mideast Debut for U.S. Food

This annual festival features a wide range of products intended not only for the hotel and restaurant industry but also for upscale consumers. Products such as high-quality beef, smoked salmon, turkey products, dressings, seasonings, beer and wine were among those featured.

The food festival saw the debut of McCormick spices, Nabisco products, A-1 Steak Sauce, Royal Baking Powder and Minute Maid juices in this market.

Alaa Abdel-Rahman, CEO of Red Sea World, was one of the nine importers participating.

"The Great American Food Fest is an outstanding event to introduce products,"

USDA/FAS

A bilingual cookbook is just the thing to inspire an Egyption chef.

he said. "Chefs from other hotels attend the event and eventually buy the U.S. products for their hotels."

Abdel-Rahman also supplied the food for the cooking competition and a buffet for conference attendees, featuring traditional American foods.

"The festival is ideal to introduce new-to-market products and increase the consumption of products already available here," said Abdel-Rahman. "As a result of the fest, our sales of U.S. food products increase by 8 to 10 percent every year. Our sales of U.S. products have increased by 40 percent since we started the event in 1998."

And did Abdel-Rahman bring any new products last year to entice cooks and customers?

"Yes, we introduced 58 flavors of McCormick spices, and currently, all hotels in Egypt take McCormick spices," he said. "Last year we introduced Monterey Jack and Pepperjack cheese."

Cooking Up U.S. Exports in Cairo

Last year, as the six finalists simmered and sauteed their way through, winning entrees also enticed hotel guests to stop and ask what's cooking. This, too, is a great advertisement for U.S. foods and ingredients.

Chef Mona Amer, winner of the 2000 chef's competition, said she was happy about participating and planned to compete this fall in American Food Fest 2001.

"This was my first participation in a live food competition," she said. "I believe it was very effective. All the chefs communicated well with the audience. And when you use American ingredients in front of the public, it has a great effect."

Chef Amer is no stranger to the use of U.S. food ingredients.

"I always use American ingredients in my cooking as you can get a better taste and they prepare quickly," she said. "I use American wheat flour, sauces, toppings for the desserts.

"What we are missing from the United States are more bakery ingredients. We need different types of flour, such as corn meal flour and semolina, also natural preservatives and different types of cheese."

And did Chef Amer have any advice for U.S. food companies lo oking atptian market?

"Egyptian consumers are not easily convinced, so U.S. companies have to work on advertising and promotional materials," she said.

The competition was sponsored by FAS Cairo in coordination with the Egyptian Chefs Association.

Participating chefs had to cook American dishes using recipes where 90 percent of the ingredients were of U.S. origin.

To recruit the chefs, fliers were sent to 700 five-star hotels and Class A restaurants. A panel of international chefs selected the six winning contestants who did the live cooking show. They were selected according to the best menu, with appetizer, main dish and dessert; the use of the most advertised ingredients; and presentation. ■

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Negotiations for a Free Trade Area of the Americas Enter a New Phase

By Robert Spitzer and Loyd Coonrod

The President has made trade in this hemisphere one of his top priorities. The Third Summit of the Americas meeting in Quebec City, Canada, in April, proved a case in point. There, 34 heads of state agreed to conclude negotiations to form a Free Trade Area of the Americas (FTAA) by Jan. 1, 2005, with implementation by Dec. 31, 2005.

By reaching this consensus, the nations of the Western Hemisphere have set a course for the next phase of FTAA negotiations.

In the Beginning...

The effort to create the world's largest, most comprehensive free trade area, stretching from the Arctic to Tierra del Fuego, began in Miami, Florida, in 1994 at the First Summit of the Americas.

After that historic meeting, four ministerial meetings took place under the preparatory phase of the FTAA process. They were held in Denver, Colorado–1995; Cartagena, Colombia–1996; Belo Horizonte, Brazil–1997; and San José, Costa Rica–1998.

At the Second Summit of the Americas in Santiago, Chile, in April 1998, heads of state agreed to move into the formal phase of negotiations. Accordingly, nine FTAA negotiating groups were established covering agriculture; competition policy; dispute settlement; government procurement; intellectual property rights; investment; market access; services; and subsidies, antidumping and countervailing duties.

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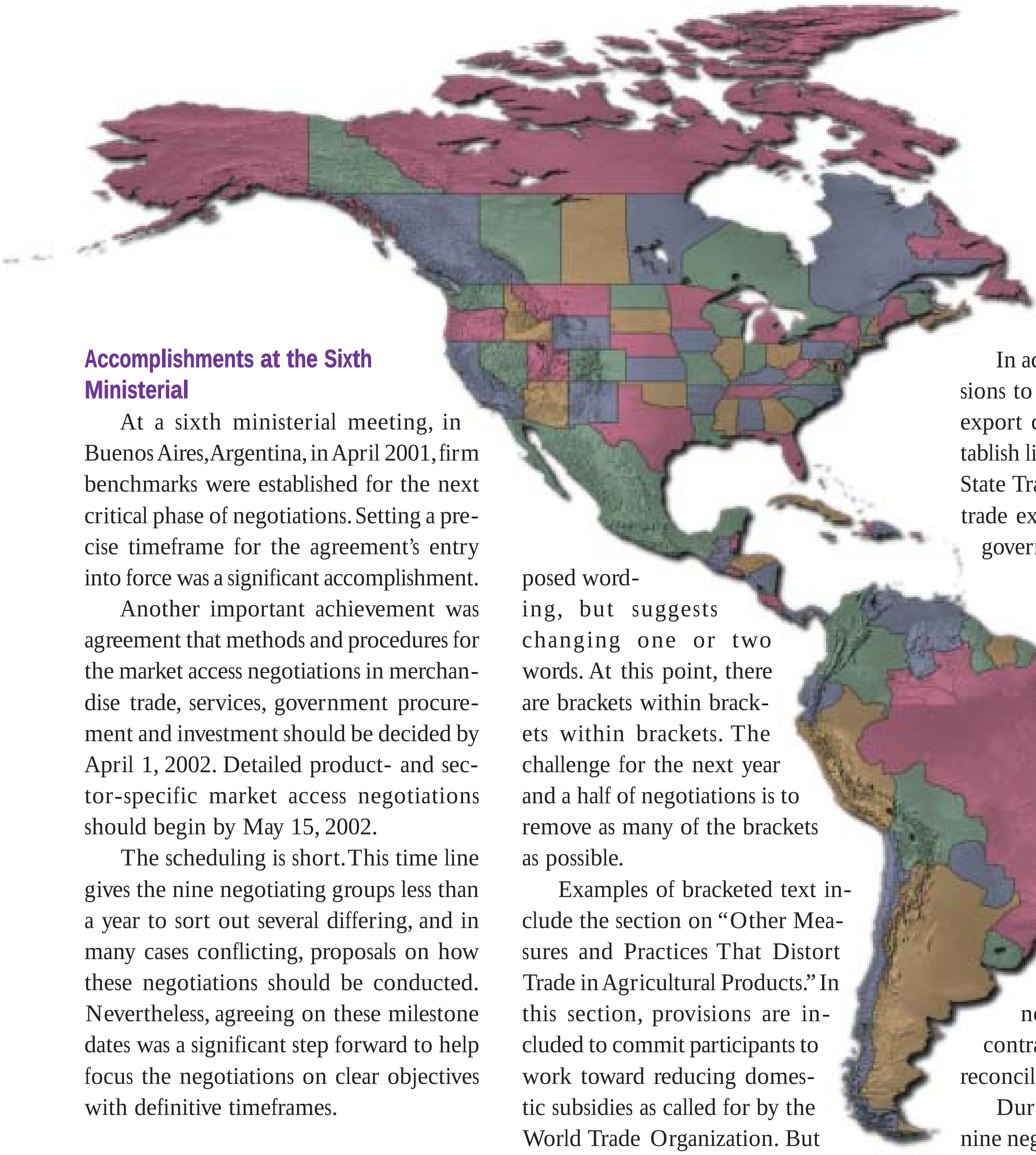

Accomplishments at the Sixth Ministerial

At a sixth ministerial meeting, in Buenos Aires, Argentina, in April 2001, firm benchmarks were established for the next critical phase of negotiations. Setting a precise timeframe for the agreement's entry into force was a significant accomplishment.

Another important achievement was agreement that methods and procedures for the market access negotiations in merchandise trade, services, government procurement and investment should be decided by April 1, 2002. Detailed product- and sector-specific market access negotiations should begin by May 15, 2002.

The scheduling is short. This time line gives the nine negotiating groups less than a year to sort out several differing, and in many cases conflicting, proposals on how these negotiations should be conducted. Nevertheless, agreeing on these milestone dates was a significant step forward to help focus the negotiations on clear objectives with definitive timeframes.

Where Do We Go From Here?

The process is far from over; the most important and difficult work is yet to be done. In addition to the framework for the market access negotiations, negotiators must make progress on the text of the agreement. Over the last year and a half, draft text for each chapter of the FTAA Agreement was compiled and submitted to the trade ministers in Buenos Aires.

To bypass stumbling blocks, these drafts contain what is known as bracketed text. Bracketed text appears wherever a participant objects to proposed text by another participant or one or more participants propose different wording on the same issue. It also appears around small revisions when a participant agrees in general with proposed wording, but suggests changing one or two words. At this point, there are brackets within brackets within brackets. The challenge for the next year and a half of negotiations is to remove as many of the brackets as possible.

Examples of bracketed text include the section on "Other Measures and Practices That Distort Trade in Agricultural Products." In this section, provisions are included to commit participants to work toward reducing domestic subsidies as called for by the World Trade Organization. But the section also includes provisions requiring specific reductions in domestic subsidies as part of the FTAA Agreement.

In addition, the section includes provisions to restrict the use of export taxes or export credits, while other provisions establish limits on the activities of monopoly State Trading Enterprises, which conduct trade exclusively for a country through a government agency.

Another example of bracketed text occurs in the section on "Sanitary and Phytosanitary Measures." Some provisions refer to cooperation in multilateral standards-setting bodies, while others spell out specific rules and requirements which must be met when any new measure is introduced. All of these issues are on the table, but there is no consensus on any of them. These contradictory provisions will need to be reconciled.

During the next year and a half, the nine negotiating groups will intensify their efforts to eliminate the brackets from the draft text before it is submitted to trade ministers for consideration at a seventh

Chronology of FTAA Talks

Summit of the Americas

1994–Miami, Florida
1998–Santiago, Chile
2001–Quebec City, Canada

Trade Ministerials

1995–Denver, Colorado
1996–Cartagena, Colombia
1997–Belo Horizonte, Brazil
1998–San José, Costa Rica
1999–Toronto, Canada
2001–Buenos Aires, Argentina

Future Milestones

- April 1, 2002–Methods/Procedures for Market Access Negotiations Finalized
- May 15, 2002–Detailed Market Access Negotiations Begin
- October 2002–Seventh Ministerial in Ecuador
- Jan. 1, 2005–FTAA Negotiations Conclude
- Dec. 31, 2005–FTAA Implementation

ministerial meeting set for October 2002 in Ecuador.

Potential Benefits for U.S. Agriculture

The United States has much to gain from an FTAA agreement and much to lose if a hemispheric free trade area were created without U.S. participation.

According to preliminary USDA analysis, U.S. participation in the FTAA could increase annual U.S. agricultural exports to the hemisphere by 8.4-9.2 percent and imports by 6.7-8.8 percent. In dollars, U.S. agricultural exports to the hemisphere could increase $1.6-$1.7 billion annually based on 2000 trade data and imports could increase $1.4-$1.8 billion. U.S. exports of wheat, livestock, meat and processed products could increase.

If the United States were to choose not to participate in the FTAA, annual U.S. agricultural exports to the Western Hemisphere could decline as much as 1.5 percent or $276 million based on 2000 trade data. The largest losses in terms of exports could occur in wheat, other grains, and processed products. USDA is currently working to update this analysis.

These estimates reflect only the effect of removing tariffs under the FTAA. They do not include the potentially larger "dynamic" gains for U.S. trade that are expected to result from increases in savings, investment and productivity throughout the hemisphere following further trade liberalization.

With the FTAA, U.S. agricultural trade will grow and so will the U.S. economy. Currently, the business of agriculture, from production to processing to transportation to marketing, generates about 16 percent of U.S. economic activity and employs nearly a million U.S. workers in all 50 States.

Over the next decade, food consumption in Latin America is expected to surge as a growing middle class, with rapidly rising disposable incomes, purchases more and better food. The expanding demand from this market of 450 million consumers (outside the North American Free Trade Agreement countries) will help sustain a strong and prosperous U.S. agricultural sector, while fueling the engine of the U.S. economy. ■

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Nearby Hot Spot: The Dominican Republic's Hotel and Restaurant Sector

By Wagner A. Méndez

Does the Dominican Republic strike you as a nice, quiet little market where the food and beverage business is slow and relaxed? Then you haven't heard the buzz about its hip-hopping food services sector.

Sales of food and beverages to the Dominican Republic have risen nearly 10 percent in the past five years, and there's still plenty of potential, providing that you correctly scope out the needs of its hotel, restaurant and institutional (HRI) market and are able to supply appropriate offerings at competitive prices.

The Dominican Republic is, of course, a primary tourist destination in the Caribbean region. More than 2 million are foreign tourists who arrived by air, and that's not counting those who came by other means. For the tourist sector as a whole, food and beverage sales were estimated at a sunny $320 million in 1999.

But sales in this thriving food service industry do not live by tourism alone. Now that the domestic economy is enjoying robust improvement, Dominican citizens comprise the greatest share of customer base. In calendar year 2000, consumption of food and drinks in the non-tourist sector was estimated at $700 million.

In the restaurant sub-sector, the fastest growing area is fast food. Foreign fast-food chains, mostly from the United States, have been well received by Dominicans since their market entry six years ago.

Four Factors Fueling Growth in the Dominican HRI Sector

1. **Economic growth.** The Dominican economy has averaged more than 7 percent growth over the past five years.
2. **More working women.** Over 40 percent of women are in the labor force, resulting in higher demand for food outside the home.
3. **Increase in per capita income.** Per capita income increased from $1,400 in 1994 to $2,100 in 1999.
4. **Menu diversification.** Dominicans are internationalizing their consumption habits. Pizzas, hamburgers and other types of fast food are popular, as is restaurant fare made with imported meats and seafood.

U.S. Products Facing Barriers

The Dominican Republic seeks to protect local agriculture by constraining the import of certain products with tariff and non-tariff barriers. These currently include pork, poultry, onions, milk powder, garlic, dried beans, rice and sugar.

In the last five years, more than 10 international fast-food chains have gotten established in the country. More than 50 outlets have opened, including Burger King, McDonald's, Wendy's, Kentucky Fried Chicken, Pizza Hut, Domino's Pizza and Taco Bell. Of the 40 establishments now open, most are in the cities of Santo Domingo and Santiago.

Note, though, that consumers pay more for fast food in the Dominican Republic than for the same products sold in the United States.

The same consumer trend toward eating out that has fueled the growth of fast-food outlets has spurred the growth of countless small restaurants, independent cafeterias, eateries located within businesses and cafes in supermarkets. These convenient establishments provide local food, sandwiches and snacks at affordable prices to working-class Dominicans.

Such restaurants offer especially good opportunities for U.S. exporters. Menus stressing international cuisine drive these establishments toward imported foods, with particular emphasis on beef, ham, seafood, pasta and frozen french fries.

Counting on U.S. Exports

In this small, densely populated Caribbean nation, geography has imposed limits on agricultural capacity. It is estimated that about 45 percent of the total food and drink consumed in the country is imported; more than 50 percent of that is purchased from the United States. In the hotel, restaurant and institutional sector, the U.S. share is even higher, reflecting a preference for U.S. imported food that is linked to a perception of higher quality.

However, it is important to note that the country's food processing industry is increasing in both efficiency and competitiveness–a trend that cuts two ways. Although imports of finished food products may decline, use of imported ingredients is at the same time likely to increase. ■

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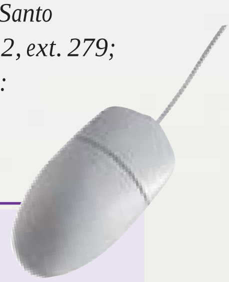

For details, see FAS Report DR1011. To find it on the web, start at **www.fas.usda.gov**, select **attache reports** and respond to the dialogue boxes.

Product Prospects

Hotels and restaurants have high demand for special cuts of imported beef and veal. Wine, cheeses, poultry, frozen potatoes and fruit concentrates also have good potential.

Hotels and restaurants sometimes find fish and seafood in scarce supply. Although the Dominican Republic is on an island, its fishing industry is not developed enough to meet demand. Fear of "ciguatera" toxin from some local reef production is another factor that spurs demand for imports.

A Road Map for Market Entry

With the notable exception of U.S. fast-food chains which usually import their own products and ingredients, the best way to enter the food service market in the Dominican Republic is to deal with a local representative.

Not long ago, it was difficult for Dominican hotels and restaurants to get high-quality products. Today, thanks to the growth of tourism, the number of businesses specializing in importing food and drinks has increased.

Over 50 businesses now compete to supply products to this market, including most of the nation's hotels and restaurants.

U S. Flavor, Delivered Fresh• Produce Exports to Mexico

By Chad Russell and Dulce Flores Montes

No one can resist the sensory delights of a fresh produce stand replete with top-quality products that practically sell themselves–crisp apples, sweet pears and luscious peaches. Add to that salad greens and tangy peppers.

So here's a riddle: Would you be likely to find this great food stand in a U.S. supermarket, chock full of produce imported from Mexico? Or would it be the other way around?

Most people would guess, imported from Mexico and sold in the United States. Their reasoning would be correct. After all, U.S. produce purchases from Mexico are vast. About 9 percent of Mexico's farmland is used for growing fruit, vegetables and flowers–but these crops make up 34 percent of the value of Mexico's agricultural production.

It's also true that Mexican farmers are growing less grain and more of the highly profitable produce.

Nevertheless, the converse is also true. U.S. fresh produce pops up in Mexican markets regularly.

In fact, the United States is expected to remain the main apple supplier to the Mexican market and U.S. pears are also dominant imports in this country.

Some fruits and vegetables simply do better in the United States, where growing conditions are rainier and cooler. Crops grown under a gentler sun provide a good opportunity for the U.S. exporter in Mexico.

The Apple of Mexico's Market

The U.S. apple industry's continued market and in-store promotion efforts have contributed to that success. Promotion efforts for 2000 were targeted to varieties less familiar to Mexican consumers, such as Gala and Fuji.

Mexican consumers prefer Red Delicious and Golden Delicious. Their long shelf lives give these apples a competitive advantage over others.

Since Mexico's domestic production is limited, Golden Delicious apples have especially strong import potential. Rome Beauty is another variety that has been widely accepted by consumers, mainly for baking purposes.

Promotion Makes the Difference

Thanks to FAS' Market Access Program, there is more money available for TV advertisements to help Mexico's consumers identify U.S. brands. And since the industry plans to sponsor sporting events, Mexico's armchair athletes will soon view commercials for U.S. apples along with their favorite teams.

There's also a pitch to retailers. A contest promotion has been devised to reward supermarket distributors of U.S. apples with prizes for increased sales. They can also win for the best in-store exhibit. According to managers, these competitions not only motivate sales, they also give U.S. fruit managers an incentive to keep the apples in good condition.

The Competition Pushes Harder

Mexican apple producers are now themselves advertising on the radio and in certain TV spots.

And the United States also faces competition from Chilean producers who have been working aggressively to penetrate the

12070

Mexican market. They have introduced several affordable apple varieties to target the budget-conscious consumer.

Mexican consumers have accepted Chilean apples, which taste like familiar Mexican apples and are often cheaper than those from the United States. According to traders, Chile is making plans to invest in in-store demonstrations and advertisements. Canada is also aggressively promoting its apples, offering trips to Canada for high-volume customers. According to industry insiders, France, China and South Africa are also beginning to explore the Mexican fruit market.

The Power of Pears

One reason U.S. pears are strong in Mexico is that promotional efforts continue in several Mexican cities, supermarkets and street markets. The major challenge for pears

12005

is to increase consumer appreciation for new varieties.

As with apples, pear promoters plan to rely on television commercials and magazine ads.

Chilean producers do not conduct marketing or promotional campaigns in Mexico, and since Chilean pears cost more, they do not represent a major threat to U.S. exports to Mexico.

The No. 1 pear preference among Mexicans is for the Anjou variety, followed by Bartlett. Most U.S. pears come from Washington, Oregon and California.

Hot Trends for Apple/Pear Exporters

Mexico's apple production forecast on the 2000/2001marketing year was revised downward from earlier estimates due to adverse weather conditions, according to reports in early calendar year 2001. Correspondingly, the forecast for apple imports for this year has been moved upward, thanks to growing demand and good consumer purchasing power. Figures for 2000 showed U.S. apple exports at 170 million metric tons, valued at $102 million.

As far as pears go, Mexico's production estimates for the 2000/2001 market year have been revised upwards to 34,000 tons, but imports are also expected to rise to 95,000 tons because of increased demand and high U.S. pear production.

A good economy and improved consumer purchasing power will likely increase apple and pear imports, especially from the United States.

Pitted Against the Competition

The Mexican market for stone fruit imports has potential for slow but steady growth over the next couple of years.

Competition is stiff from local production of other fruit, especially peaches.

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Mexico's peach and plum growers aggressively adjust their prices in response to pressure from imports.

Currently, the United States supplies approximately 53 percent of Mexico's stone fruit imports, with Chile in second place at 43 percent. Total U.S. sales for peaches and nectarines, for example, were 111 million tons, valued at over $100 million.

Produce Coming on Strong

Mexican farmers are by far the main source of fresh vegetables, although imports are growing.

U.S. exports of fresh vegetables to Mexico reached a record $68.8 million in 2000, an impressive 47-percent increase over exports in 1999. Growth in U.S. exports of tomatoes, lettuce and cabbage, cauliflower, kale and similar products accounted for most of the increase from 1999 to 2000. ■

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Vintage Victory in Napa Valley

Now that's confidence! As prelude to a wine tasting in Paris, the Napa Valley Vintner's Association challenged a group of France's most discriminating wine experts to pay California a professional visit.

Earlier this year, representatives of five of France's top restaurants took a trek through California wineries to learn more about Napa Valley wines. Their travels convinced some of France's most experienced sommeliers to place orders.

A variety of Napa Valley vintages are now playing on tables in some of the most distinguished restaurants in France.

FOODEX Japan Sales Top $50 Million

U.S. food sales as a result of the FOODEX Japan 2001 show are projected to top $50 million. The Tokyo U.S. Agricultural Trade Office organized and hosted the American Pavilion at the show, which is the largest trade-only food show in Asia. Over 180 U.S. companies showcased their products to almost 94,000 food and beverage buyers over the four- day show.

Argentine Beef Exports Expected To Plummet 44 Percent in 2001

FAS/Buenos Aires lowered its 2001 forecast for Argentine beef exports by 44 percent. This sharp drop is a result of the shut-down of almost all export markets, including the United States, for Argentine chilled and frozen beef due to renewed outbreaks of foot-and-mouth disease (FMD). In 2000, the United States imported 19,579 tons of beef and 18,121 tons of prepared/preserved bovine meat from Argentina.

With its current FMD-positive status, Argentina is allowed to export only prepared/ preserved bovine meat to the United States.

Canada Imports Record Number of U.S. Feeder Cattle

Preliminary data from the Canadian Food Inspection Agency show that Canada imported a record number of U.S. feeder cattle during the Northwest Cattle Project's 2000/2001 season (October to March). Imports reached an estimated 204,000 head, up more than 13 percent from 180,314 head a year earlier. This year marks the fourth year of the program aimed at facilitating shipments of U.S. feeder cattle to Canada under revised animal health requirements. Following pressure by Ontario cattlemen to be eligible to have feedlots in that province registered under the program, New York has joined Alaska, Hawaii, Idaho, North Dakota, Montana and Washington as States approved for participation.

French Surimi Market Promising for U.S. Exporters

In the last 10 years, surimi consumption in France has tripled, overtaking sales of smoked salmon. Affordable prices and a steady stream of new and innovative surimi products continue to support strong sales growth. Because French production does not meet consumption, good opportunities continue to be available for American suppliers of surimi products. In 2000, the United States supplied 46 percent of France's total imports of 14,238 tons.

Inside This Issue:

- **U.S. exporters, whether they hail from Cairo (Illinois), Memphis (Tennessee), or Alexandria (Virginia), can spot sales opportunities galore in today's Egypt.**

- **Soaking up rays in the Dominican Republic? You could be racking up sales in its sunny tourist sector. Also note that the locals are fond of U.S. consumer foods.**

- **While in Mexico, stop at a fruit stand for some impromptu market research. Where do those apples, pears and vegetables come from? Surprise–the United States is a dominant player here.**

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